

RUSSELL RURAL WATER DISTRICT NO. 3

Susank, Kansas

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

VONFELDT, BAUER & VONFELDT, CHTD.

Certified Public Accountants

Manhattan, Kansas 66502

Russell Rural Water District No. 3
Financial Statements
Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Russell Rural Water District No. 3
Susank, Kansas

We have audited the accompanying financial statements of Russell Rural Water District No. 3, Susank, Kansas which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Russell Rural Water District No. 3, Susank, Kansas as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



VONFELDT, BAUER & VONFELDT, CHARTERED
Certified Public Accountants
Manhattan, Kansas

February 1, 2016

RUSSELL RURAL WATER DISTRICT NO. 3
SUSANK, KANSAS
BALANCE SHEET
December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 170,308.90	\$ 160,968.13
Certificates of Deposit (Note 2)	55,828.55	74,230.55
Accounts Receivable - Trade (Note 3)	1,523.34	947.60
Interest Receivable	<u>21.35</u>	<u>23.53</u>
Total Current Assets	<u>\$ 227,682.14</u>	<u>\$ 236,169.81</u>
 PROPERTY, PLANT AND EQUIPMENT: (Note 5)		
Water System	\$ 1,349,062.45	\$ 1,349,062.45
Building	47,870.10	47,870.10
Office Equipment	15,729.56	15,729.56
Vehicle	39,209.06	39,209.06
Land	5,038.83	5,038.83
Less - Accumulated Depreciation & Amortization	<u>(1,143,173.50)</u>	<u>(1,104,700.85)</u>
 Net Property, Plant and Equipment	<u>\$ 313,736.50</u>	<u>\$ 352,209.15</u>
 Total Assets	<u>\$ 541,418.64</u>	<u>\$ 588,378.96</u>

The accompanying notes are an integral part of these financial statements

RUSSELL RURAL WATER DISTRICT NO. 3
SUSANK, KANSAS
BALANCE SHEET
December 31, 2015 and 2014

LIABILITIES AND EQUITY

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 28,661.16	\$ 18,316.29
Notes Payable - Current	0.00	6,510.07
Prepaid Customer Accounts	4,749.67	7,004.55
Sales and Payroll Taxes and Other Payables	<u>3,660.05</u>	<u>3,692.93</u>
Total Current Liabilities	<u>\$ 37,070.88</u>	<u>\$ 35,523.84</u>
 LONG TERM LIABILITIES:		
Notes Payable - Long Term	<u>\$ 0.00</u>	<u>\$ 12,503.04</u>
 Total Long-Term Liabilities	<u>\$ 0.00</u>	<u>\$ 12,503.04</u>
 Total Liabilities	<u>\$ 37,070.88</u>	<u>\$ 48,026.88</u>
 EQUITY:		
Contributed Capital	\$ 300,000.00	\$ 300,000.00
Retained Earnings		
Reserved for Future Liabilities (Note 6)	1,000.00	1,000.00
Unreserved	<u>203,347.76</u>	<u>239,352.08</u>
 Total Retained Earnings	<u>\$ 204,347.76</u>	<u>\$ 240,352.08</u>
 Total Members' Equity	<u>\$ 504,347.76</u>	<u>\$ 540,352.08</u>
 Total Liabilities and Equity	<u>\$ 541,418.64</u>	<u>\$ 588,378.96</u>

The accompanying notes are an integral part of these financial statements

RUSSELL RURAL WATER DISTRICT NO. 3
SUSANK, KANSAS
STATEMENT OF OPERATIONS
For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES:		
Sale of Water	\$ 418,963.88	\$ 398,250.27
Refunds & Dividends	3,698.14	2,405.01
Reimbursements	8,139.79	6,631.00
Gain on Disposal of Asset	0.00	8,358.00
Miscellaneous Income	961.00	2,794.39
	<u>431,762.81</u>	<u>418,438.67</u>
Total Operating Revenues	\$ 431,762.81	\$ 418,438.67
OPERATING EXPENSES:		
Salaries	\$ 89,364.81	\$ 92,670.80
Contract Labor	2,090.75	2,505.00
Depreciation	38,472.65	37,358.40
Dues	1,220.60	1,423.02
Building Maintenance	357.28	488.74
Insurance	48,939.41	53,580.15
Lab Fees	463.00	216.00
Legal and Accounting	6,275.00	5,945.00
Mileage	4,809.01	5,486.20
Miscellaneous	810.66	1,237.46
Office Supplies	1,460.38	3,144.53
Printing and Postage	2,377.77	2,282.69
Payroll Tax	6,878.10	7,089.32
Purchase of Water	153,102.87	138,181.80
Reimburse Customers Cost	217.09	0.00
Repairs and Maintenance	67,408.51	28,579.17
Sales Tax	410.79	449.44
Supplies	19,656.48	23,008.99
Training and Conferences	0.00	556.22
Utilities	14,490.42	12,105.10
Vehicle Expense	9,142.39	11,572.48
Water Protection	1,906.68	2,025.97
	<u>469,854.65</u>	<u>429,906.48</u>
Total Operating Expenses	\$ 469,854.65	\$ 429,906.48
Net Income (Loss) from Operations	\$ (38,091.84)	\$ (11,467.81)
OTHER INCOME AND EXPENSES:		
Interest Income	\$ 159.18	\$ 233.31
Sale of Benefit Units	2,000.00	2,000.00
Interest Expense	(71.66)	(177.61)
	<u>2,087.52</u>	<u>2,055.70</u>
Total Other Income (Expense)	\$ 2,087.52	\$ 2,055.70
NET INCOME (LOSS)	\$ (36,004.32)	\$ (9,412.11)

The accompanying notes are integral part of these financial statements.

RUSSELL RURAL WATER DISTRICT NO. 3
SUSANK, KANSAS
STATEMENT OF CHANGES IN RETAINED EARNINGS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, Beginning of Year	\$ 240,352.08	\$ 249,764.19
Net Earnings (Loss)	<u>(36,004.32)</u>	<u>(9,412.11)</u>
Balance, End of Year	<u>\$ 204,347.76</u>	<u>\$ 240,352.08</u>

The accompanying notes are an integral part of these financial statements

RUSSELL RURAL WATER DISTRICT NO. 3
SUSANK, KANSAS
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
<u>Cash Flow From Operating Activities</u>		
Net Income	\$ (36,004.32)	\$ (9,412.11)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	38,472.65	37,358.40
Gain on Disposal of Asset	0.00	(8,358.00)
(Increase) Decrease in:		
Trade Receivables	(573.56)	(355.51)
Increase (Decrease) in:		
Accounts Payable	10,344.87	(2,604.45)
Accrued Liabilities	<u>(2,287.76)</u>	<u>3,853.64</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 9,951.88</u>	<u>\$ 20,481.97</u>
<u>Cash Flow From Investing Activities</u>		
Proceeds from Disposal of Asset	\$ 0.00	\$ 8,358.00
(Purchase) Sale of Investments	18,402.00	(154.46)
Purchase of Property and Equipment	<u>0.00</u>	<u>(35,259.00)</u>
Net Cash Provided (Used) By Investing Activities	<u>\$ 18,402.00</u>	<u>\$ (27,055.46)</u>
<u>Cash Flow From Financing Activities</u>		
Proceeds from Note Payable	\$ 0.00	\$ 20,000.00
Repayment of Note Payable	<u>(19,013.11)</u>	<u>(986.89)</u>
Net Cash Provided (Used) By Financing Activities	<u>\$ (19,013.11)</u>	<u>\$ 19,013.11</u>
Net Increase (Decrease) In Cash	\$ 9,340.77	\$ 12,439.62
Cash At Beginning Of Year	<u>160,968.13</u>	<u>148,528.51</u>
Cash At End Of Year	<u>\$ 170,308.90</u>	<u>\$ 160,968.13</u>
<u>Supplemental Disclosures</u>		
Interest Paid	<u>\$ 71.66</u>	<u>\$ 177.61</u>

The accompanying notes are an integral part of these financial statements

RUSSELL RURAL WATER DISTRICT NO. 3
SUSANK, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

~~Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES~~

- A. Russell Water District No 3 is organized and established under the provisions of K.S.A 82a-612 of the Kansas Statutes for the purpose of constructing and operating a water supply distribution system serving owners and occupants of land located within the District. The organization is a quasi governmental.
- B. The records of Russell Rural Water District No. 3 are reported on the accrual basis of accounting. Revenues are recognized in the accounting period when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized whenever any indebtedness is created.
- C. Property, plant and equipment is recorded at cost. When individual items are sold or disposed of, the related cost and accumulated depreciation is removed and the resulting gain or loss is included in the results of operations. The straight-line method is used in computing depreciation based on the useful lives of the individual assets. Major repairs are (including capital leases) capitalized, other maintenance and repair items are expensed as incurred.
- D. Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Note 2 - CERTIFICATES OF DEPOSIT

Certificates of deposit totaling \$55,828.55 bearing interest rates of .20% and have maturities ranging from twelve to eighteen months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Note 3 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2015 are based on deposits made during the following January plus estimated amounts due on delinquent accounts. Water users read their own water meters on the first day of each month or the earliest date thereafter, compute the amount due, and remit payment for the prior months water usage to the District no later than the fifth day of the month. A twenty percent late charge is assessed after the fifteenth of the month. Each account is assessed a \$29.00 debt service fee per month, plus tax, regardless of water usage. Late charges and debt service fees are included in the sale of water. Meter amounts are verified by Water District staff annually.

Note 4 - CASH & CASH EQUIVALENTS

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Note 5 - PROPERTY, PLANT & EQUIPMENT

A summary of property, plant and equipment at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Water System	\$ 1,349,062.45	\$ 1,349,062.45
Building	47,870.10	47,870.10
Office Equipment	15,729.56	15,729.56
Vehicle	39,209.06	39,209.06
Land	<u>5,038.83</u>	<u>5,038.83</u>
	<u>\$ 1,456,910.00</u>	<u>\$ 1,456,910.00</u>

Depreciation expense for the years ended December 31, 2015 and 2014, was \$38,472.65 and \$37,358.40, respectively.

Note 6 - RESERVED AND RESTRICTED ASSETS

The District has pledged a \$1,000 investment to the Kansas Department of Human Resources as bond against future liabilities of the District. Interest earned on this investment is deposited into the District's operating account.

Note 7 - RELATED PARTY TRANSACTIONS

All board members and management of the District are also benefit unit owners and customers.

Note 8 - SUBSEQUENT EVENTS

The District has evaluated events subsequent to the balance sheet date through February 1, 2016, and does not believe any events have occurred which affect the financial statements as presented.